

JEFFERSON COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2010

JEFFERSON COUNTY, IOWA

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JEFFERSON COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard C. Reed	Board of Supervisors	January, 2011
Lee Dimmitt	Board of Supervisors	January, 2013
Stephen Burgmeier	Board of Supervisors	January, 2013
Scott Reneker	County Auditor	January, 2013
Connie Hedger	County Treasurer	January, 2011
Charlotte Fleig	County Recorder	January, 2011
Jerry R. Droz	County Sheriff	January, 2013
Timothy W. Dille	County Attorney	January, 2011
Sheri Neff	County Assessor	January, 2016

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Jefferson County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Jefferson County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson County, Iowa at June 30, 2010, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2011 on our consideration of Jefferson County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 8 and 29 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the three years ended June 30, 2004 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
March 22, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Jefferson County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- The County's Governmental funds' revenues increased \$21,718 from fiscal 2009 to fiscal 2010.
- The County's Governmental funds' expenses increased \$182,898 in fiscal 2010 compared to fiscal 2009. County environment and education expenses increased by \$125,498.
- The County's governmental fund balances decreased 2.03%, or \$347,852, from June 30, 2009 to June 30, 2010.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Jefferson County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Jefferson County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Jefferson County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget and the schedule of funding progress for the retiree health plan for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental Funds and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and capital projects. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include:
  1. The General Fund,
  2. The Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads,
  3. Capital Projects Funds, such as the DHS Building Project,
  4. The Debt Service Fund.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for schools, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Jefferson County, Iowa's combined net assets decreased from \$17,133,920 to \$16,786,068. The analysis that follows focuses on the changes in the net assets for governmental activities.

### Net Assets of Governmental Activities

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Current and other assets	\$ 9,516,249	\$ 9,342,839
Capital assets	<u>14,304,735</u>	<u>14,022,659</u>
Total assets	<u>23,820,984</u>	<u>23,365,498</u>
Long-term liabilities	1,483,291	414,831
Other liabilities	<u>5,551,625</u>	<u>5,816,747</u>
Total liabilities	<u>7,034,916</u>	<u>6,231,578</u>
Net assets:		
Invested in capital assets, net of related debt	13,078,863	13,826,006
Restricted	3,075,844	2,364,921
Unrestricted	<u>631,361</u>	<u>942,993</u>
Total net assets	\$ <u>16,786,068</u>	\$ <u>17,133,920</u>

Net assets of Jefferson County, Iowa's governmental activities decreased by \$347,852 (\$16,786,068 compared to \$17,133,920). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$631,361 at June 30, 2010 a decrease of \$311,632 from the prior year.

### Changes in Net Assets of Governmental Activities

	<u>Year ended June 30, 2010</u>	<u>Year ended June 30, 2009</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,396,588	\$ 1,695,108
Operating grants, contributions and restricted interest	3,766,429	3,267,433
Capital grants, contributions and restricted interest	359,114	630,392
General revenues:		
Property tax	3,304,069	3,077,370
Penalty and interest on property tax	82,363	65,526
State tax credits	130,583	126,381
Unrestricted investment earnings	92,474	128,978
Other general revenues	<u>695,463</u>	<u>814,177</u>
Total revenues	\$ <u>9,827,083</u>	\$ <u>9,805,365</u>

Program expenses:

Public safety and legal services	2,937,029	2,720,805
Physical health and social services	637,612	560,115
Mental health	1,063,870	1,208,107
County environment and education	597,904	472,406
Roads and transportation	3,493,878	3,662,063
Governmental services to residents	544,985	462,255
Administration	784,118	809,003
Interest on long-term debt	37,615	11,014
Capital projects	<u>77,924</u>	<u>86,269</u>
Total expenses	<u>10,174,935</u>	<u>9,992,037</u>
Change in net assets	(347,852)	(186,672)
Net assets beginning of year, as restated	<u>17,133,920</u>	<u>17,320,592</u>
Net assets end of year	\$ <u>16,786,068</u>	\$ <u>17,133,920</u>

### INDIVIDUAL MAJOR FUND ANALYSIS

As Jefferson County, Iowa completed the year, its governmental funds reported a combined fund balance of \$3,954,339, an increase of \$449,020 compared to last year's total of \$3,505,319. The increase in fund balance is primarily attributable to the Secondary Roads fund. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures were \$4,620,981 and \$4,899,454, respectively. The ending fund balance showed a decrease of \$218,475 from the prior year to \$1,354,444.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,060,162, a decrease of 11.78% from the prior year. The Mental Health Fund balance at year end increased by \$64,399 from the prior year.
- Rural services revenues decreased \$27,300 from the prior year. The ending fund balance decreased \$30,486 from the prior year.
- Secondary Roads Fund expenditures decreased by \$757,119 from the prior year. This decrease in expenditures resulted in an increase in the Secondary Roads Fund ending balance of \$422,366, or 59.27%. The previous year's decrease in the fund balance was \$509,223.

### BUDGETARY HIGHLIGHTS

Over the course of the year, Jefferson County, Iowa amended its budget once. The amendment was made on May 25, 2010 and resulted in an increase in budgeted disbursements mainly in the roads and transportation function of \$183,435. Revenues from debt proceeds also increased by \$436,075, with this amendment.

Even with this amendment, the County underspent original budgeted expenditures of \$10,963,783 by \$330,323 for the year ended June 30, 2010.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, Jefferson County, Iowa had \$14,304,735 invested in a broad range of capital assets (net of depreciation), including land, public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$282,076, or 2.01% more than last year.

#### Capital Assets of Governmental Activities at Year End

	<u>June 30, 2010</u>	<u>June 30, 2009, as restated</u>
Land	\$ 778,473	\$ 659,358
Buildings	4,555,098	4,714,064
Improvements other than buildings	76,347	78,732
Equipment and vehicles	1,677,625	1,501,761
Infrastructure	6,391,001	6,409,653
Construction in progress	<u>826,191</u>	<u>659,091</u>
Total	\$ <u>14,304,735</u>	\$ <u>14,022,659</u>
This year's major additions included:		
Construction in progress	\$ 517,594	
Machinery and vehicles	505,382	
Buildings	52,833	
Infrastructure	341,112	
Land	<u>119,115</u>	
Total	\$ <u>1,536,036</u>	

The County had depreciation expense of \$903,466 in fiscal year 2010 and total accumulated depreciation of \$6,314,546 at June 30, 2010.

More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2010 and 2009, Jefferson County, Iowa's long-term debt consisted of the following:

#### Outstanding Debt of Governmental Activities at Year-End

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Compensated absences	\$ 236,508	\$ 218,178
Capital loan notes	1,150,000	155,000
Capital leases	75,872	41,653
Net OPEB liability	<u>20,911</u>	<u>-</u>
Total	\$ <u>1,483,291</u>	\$ <u>414,831</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Jefferson County, Iowa's constitutional debt limit for the 2010 fiscal year is \$29,071,180. Other obligations include compensated absences. Net OPEB liability and capital leases. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Jefferson County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 8.5% (August 2010) versus 8.3% a year ago. This compares with the State's unemployment rate of 6.8% and the national rate of 9.6%.

Inflation in the State is slightly higher than the national Consumer Price Index increase. The State's CPI increase was 2.603% for fiscal year 2010 compared with the national rate of 2.272%.

These indicators were taken into account when adopting the budget for 2011 fiscal year. Amounts available for appropriation in the operating budget are \$10,581,214, a decrease of 5.1% from the final 2010 fiscal year budget. The amount of revenue to support the above expenditures is projected to increase 5.2% from the final 2010 fiscal year budget to \$10,271,204 with the shortfall budgeted from existing reserve funds. Property and other County taxes supporting the 2011 fiscal year budget increased \$219,495 from the 2010 fiscal year budget and makes up 53.6% of the revenue for the 2011 fiscal year budgeted expenditures.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of the 2011 fiscal year by \$310,010, leaving an overall reserve of approximately 28.1% of budgeted 2011 fiscal year expenditures.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Jefferson County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Jefferson County Auditor's Office, 51 East Briggs Avenue, Fairfield, Iowa.

JEFFERSON COUNTY, IOWASTATEMENT OF NET ASSETSJUNE 30, 2010

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and pooled investments	\$ 3,639,819
Receivables:	
Property tax:	
Delinquent	12,784
Succeeding year	5,281,377
Accounts	21,411
Accrued interest	518
Due from other governments	204,724
Inventories	271,902
Prepaid expenses	83,714
Capital assets (net of accumulated depreciation)	<u>14,304,735</u>
TOTAL ASSETS	<u>23,820,984</u>
<u>LIABILITIES:</u>	
Accounts payable	190,090
Due to other governments	77,659
Accrued interest payable	2,499
Deferred revenue:	
Succeeding year property tax	5,281,377
Long-term liabilities:	
Portion due and payable within one year:	
Capital lease payable	14,218
Capital loan notes	170,000
Compensated absences	236,508
Portion due and payable after one year:	
Capital lease payable	61,654
Capital loan notes	980,000
Net OPEB liability	<u>20,911</u>
TOTAL LIABILITIES	<u>7,034,916</u>
<u>NET ASSETS:</u>	
Invested in capital assets, net of related debt	13,078,863
Restricted for:	
Supplemental levy	475,949
Mental health	294,619
Rural services	377,331
Secondary roads	1,135,012
Debt service	13,055
Capital projects	282,467
Other purposes	497,411
Unrestricted	<u>631,361</u>
TOTAL NET ASSETS	<u>\$ 16,786,068</u>

## JEFFERSON COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 2,937,029	\$ 182,950	\$ 389,998	\$ -	\$ (2,364,081)
Physical health and social services	637,612	175,672	114,741	-	(347,199)
Mental health	1,063,870	498,687	626,550	-	61,367
County environment and education	597,904	164,562	442,209	-	8,867
Roads and transportation	3,493,878	95,070	1,998,629	359,114	(1,041,065)
Governmental services to residents	544,985	271,446	-	-	(273,539)
Administration	784,118	8,201	-	-	(775,917)
Interest on long-term debt	37,615	-	181,050	-	143,435
Capital projects	77,924	-	13,252	-	(64,672)
Total	<u>\$ 10,174,935</u>	<u>\$ 1,396,588</u>	<u>\$ 3,766,429</u>	<u>\$ 359,114</u>	<u>(4,652,804)</u>
General revenues:					
Property and other County tax levied for:					
General purposes					3,304,069
Penalty and interest on property tax					82,363
State tax credits					130,583
Local option sales and services tax					528,459
Unrestricted investment earnings					92,474
Miscellaneous					167,004
Total general revenues					<u>4,304,952</u>
Change in net assets					(347,852)
Net assets - Beginning of year, as restated					<u>17,133,920</u>
Net assets - End of year					<u>\$ 16,786,068</u>

## JEFFERSON COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

ASSETS	Special Revenue				Nonmajor Governmental Funds	Total
	General	MH-DD Services	Rural Services	Secondary Roads		
Cash and pooled investments	\$ 1,332,173	\$ 383,469	\$ 335,583	\$ 786,898	\$ 801,696	\$ 3,639,819
Receivables:						
Property tax:						
Delinquent	8,937	1,346	2,059	-	442	12,784
Succeeding year	3,692,495	555,852	850,400	-	182,630	5,281,377
Accounts	18,173	-	1,000	50	2,706	21,929
Due from other governments	18,488	4,716	54,897	126,623	-	204,724
Inventories	-	-	-	271,902	-	271,902
Prepaid expenses	66,988	165	-	16,561	-	83,714
<b>TOTAL ASSETS</b>	<b>\$ 5,137,254</b>	<b>\$ 945,548</b>	<b>\$ 1,243,939</b>	<b>\$ 1,202,034</b>	<b>\$ 987,474</b>	<b>\$ 9,516,249</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 70,997	\$ 27,676	\$ 14,149	\$ 65,833	\$ 11,435	\$ 190,090
Due to other governments	10,381	66,055	-	1,189	34	77,659
Deferred revenue:						
Succeeding year property tax	3,692,495	555,852	850,400	-	182,630	5,281,377
Other	8,937	1,346	2,059	-	442	12,784
<b>TOTAL LIABILITIES</b>	<b>3,782,810</b>	<b>650,929</b>	<b>866,608</b>	<b>67,022</b>	<b>194,541</b>	<b>5,561,910</b>
<b>FUND BALANCES:</b>						
Reserved for:						
Inventories	-	-	-	271,902	-	271,902
Prepaid expenses	66,988	165	-	16,561	-	83,714
Supplemental levy	475,949	-	-	-	-	475,949
Local option sales and services tax bonds	-	-	-	-	396,525	396,525
Unreserved, reported in:						
General fund	811,507	-	-	-	-	811,507
Special revenue/capital projects/ debt service funds	-	294,454	377,331	846,549	396,408	1,914,742
Total fund balances	1,354,444	294,619	377,331	1,135,012	792,933	3,954,339
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,137,254</b>	<b>\$ 945,548</b>	<b>\$ 1,243,939</b>	<b>\$ 1,202,034</b>	<b>\$ 987,474</b>	<b>\$ 9,516,249</b>

JEFFERSON COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

Total governmental fund balances	\$ 3,954,339
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$20,619,281 and the accumulated depreciation is \$6,314,546.	14,304,735
Because some revenues will not be collected for several months after year end they are deferred in the governmental funds.	12,784
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,499)
Long-term liabilities, including capital loan notes payable, leases payable, compensated absences payable, and net OPEB liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,483,291)</u>
Net assets of governmental activities	\$ <u>16,786,068</u>

## JEFFERSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

		Special Revenue			Nonmajor	
	General	MH-DD Services	Rural Services	Secondary Roads	Governmental Funds	Total
<b>REVENUES:</b>						
Property and other County tax	\$ 3,310,113	\$ 473,578	\$ 1,149,406	\$ 105,692	\$ 174,224	\$ 5,213,013
Interest and penalty on property tax	82,363	-	-	-	-	82,363
Intergovernmental	517,403	645,233	110,393	1,998,629	24,049	3,295,707
Licenses and permits	4,317	-	7,725	860	-	12,902
Charges for service	433,950	-	-	33,998	46,947	514,895
Use of money and property	119,330	-	-	-	15,677	135,007
Miscellaneous	153,505	7,223	148	60,212	1,448	222,536
Total revenues	<u>4,620,981</u>	<u>1,126,034</u>	<u>1,267,672</u>	<u>2,199,391</u>	<u>262,345</u>	<u>9,476,423</u>
<b>EXPENDITURES:</b>						
Current:						
Public safety and legal services	2,615,270	-	173,525	-	-	2,788,795
Physical health and social services	591,906	-	77,344	-	-	669,250
Mental health	-	1,060,162	-	-	-	1,060,162
County environment and education	370,447	-	171,775	-	113,563	655,785
Roads and transportation	-	-	-	2,590,730	-	2,590,730
Governmental services to residents	503,073	-	2,233	-	-	505,306
Administration	818,758	-	2,067	-	-	820,825
Debt service	-	-	-	-	190,581	190,581
Capital projects	-	-	-	77,324	896,985	974,309
Total expenditures	<u>4,899,454</u>	<u>1,060,162</u>	<u>426,944</u>	<u>2,668,054</u>	<u>1,201,129</u>	<u>10,255,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(278,473)</u>	<u>65,872</u>	<u>840,728</u>	<u>(468,663)</u>	<u>(938,784)</u>	<u>(779,320)</u>
Other financial sources (uses):						
Proceeds from debt	78,340	-	-	-	1,150,000	1,228,340
Transfers in	1,473	-	-	891,029	-	892,502
Transfers out	(19,815)	(1,473)	(871,214)	-	-	(892,502)
Total other financing sources (uses)	<u>59,998</u>	<u>(1,473)</u>	<u>(871,214)</u>	<u>891,029</u>	<u>1,150,000</u>	<u>1,228,340</u>
Net change in fund balances	(218,475)	64,399	(30,486)	422,366	211,216	449,020
Fund balances - Beginning of year	<u>1,572,919</u>	<u>230,220</u>	<u>407,817</u>	<u>712,646</u>	<u>581,717</u>	<u>3,505,319</u>
Fund balances - End of year	<u>\$ 1,354,444</u>	<u>\$ 294,619</u>	<u>\$ 377,331</u>	<u>\$ 1,135,012</u>	<u>\$ 792,933</u>	<u>\$ 3,954,339</u>

JEFFERSON COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

Net change in fund balances - Total governmental funds \$ 449,020

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets/construction in progress	\$ 826,428	
Depreciation expense	<u>(903,466)</u>	(77,038)

Farm to market funds used to construct infrastructure 359,114

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred or not recorded in the governmental funds.

Property tax (8,454)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Debt issued during the current year exceeded repayments as follows:

Issued		(1,228,340)
Repaid		<u>199,121</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	\$ (18,330)	
Interest on long-term debt	(2,034)	
Net OPEB liability	<u>(20,911)</u>	(41,275)

Change in net assets of governmental activities \$ (347,852)



JEFFERSON COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2010ASSETS

## Cash and pooled investments:

County Treasurer

\$ 970,991

Other County officials

27,163

Accounts receivable

19,790

Property tax receivable:

Delinquent

42,750

Succeeding year

17,650,088

Prepaid expenses

297

TOTAL ASSETS \$ 18,711,079LIABILITIES

Due to other governments

\$ 18,622,782

Accounts payable

49,635

Trusts payable

38,662

TOTAL LIABILITIES 18,711,079NET ASSETS \$ -

## JEFFERSON COUNTY, IOWA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Jefferson County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Jefferson County, Iowa (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Jefferson County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Jefferson County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Jefferson County Assessor's Conference Board, Jefferson County Emergency Management Commission and Jefferson County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported as Agency Funds of the County.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

JEFFERSON COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The MH-DD Services Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Additionally, the County reports the following funds:

Fiduciary Funds:

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Intangibles	5,000
Equipment and vehicles	5,000

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	20-50
Infrastructure	10-65
Intangibles	3-20
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond issuance costs, if any, are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

Interest rate risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the County.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Secondary Roads	Rural Services	\$ 871,214
Secondary Roads	General	19,815
General	MH-DD Services	1,473
Total		\$ <u>892,502</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 was as follows:

	<u>Balance Beginning of Year, as restated</u>	<u>Increases/ Transfers</u>	<u>Decreases/ Transfers</u>	<u>Balance End of Year</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 659,358	\$ 119,115	\$ -	\$ 778,473
Construction in progress	<u>659,091</u>	<u>517,594</u>	<u>350,494</u>	<u>826,191</u>
Total capital assets not being depreciated	<u>1,318,449</u>	<u>636,709</u>	<u>350,494</u>	<u>1,604,664</u>
Capital assets being depreciated/ amortized:				
Buildings	6,440,467	52,833	-	6,493,300
Improvements other than buildings	100,381	-	-	100,381
Equipment and vehicles	4,138,289	505,382	34,750	4,608,921
Infrastructure	<u>7,470,903</u>	<u>341,112</u>	<u>-</u>	<u>7,812,015</u>
Total capital assets being depreciated/amortized	<u>18,150,040</u>	<u>899,327</u>	<u>34,750</u>	<u>19,014,617</u>
Less accumulated depreciation/ amortization for:				
Buildings	1,726,403	211,799	-	1,938,202
Improvements other than buildings	21,649	2,385	-	24,034
Equipment and vehicles	2,636,528	329,518	34,750	2,931,296
Infrastructure	<u>1,061,250</u>	<u>359,764</u>	<u>-</u>	<u>1,421,014</u>
Total accumulated depreciation/amortization	<u>5,445,830</u>	<u>903,466</u>	<u>34,750</u>	<u>6,314,546</u>
Total capital assets being depreciated/amortized, net	<u>12,704,210</u>	<u>(4,139)</u>	<u>-</u>	<u>12,700,071</u>
Governmental activities capital assets, net	\$ <u>14,022,659</u>	\$ <u>632,570</u>	\$ <u>350,494</u>	\$ <u>14,304,735</u>

Depreciation/amortization expense was charged to the following functions:

Governmental Activities:			
Public safety and legal services	\$ 227,450		
Physical health and social services	866		
Mental health	2,426		
County environment and education	35,247		
Roads and transportation	588,228		
Governmental services to residents	35,339		
Administration	<u>13,910</u>		
Total depreciation/amortization expense - Governmental activities	\$ <u>903,466</u>		



JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund

Governmental Funds:

General	\$ 10,381
Special Revenue:	
MH-DD Services	66,055
Secondary Roads	1,189
Capital Projects:	
DHS Building	34
Total Governmental Funds	<u>77,659</u>

Trust and Agency:

County Recorder	20,636
County Assessor	414,465
Schools	10,186,306
Area schools	608,477
Corporations	5,182,512
Townships	230,102
Agriculture Extension Education	196,828
County Hospital	1,311,178
E-911	116,139
Auto License and Use Tax	319,194
All other	36,945
Total Trust and Agency Funds	<u>18,622,782</u>

\$ 18,700,441

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Capital Loan <u>Notes</u>	Capital <u>Leases</u>	Compensated <u>Absences</u>	Net OPEB <u>Liability</u>	<u>Total</u>
Balance -- Beginning of year	\$ 155,000	\$ 41,653	\$ 218,178	\$ -	\$ 414,831
Increases	1,150,000	78,340	236,508	20,911	1,485,759
Decreases	<u>155,000</u>	<u>44,121</u>	<u>218,178</u>	<u>-</u>	<u>417,299</u>
Balance - End of year	\$ <u>1,150,000</u>	\$ <u>75,872</u>	\$ <u>236,508</u>	\$ <u>20,911</u>	\$ <u>1,483,291</u>
Due within one year	\$ <u>170,000</u>	\$ <u>14,218</u>	\$ <u>236,508</u>	\$ <u>-</u>	\$ <u>420,726</u>

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM LIABILITIES (Continued)

Capital Loan Notes

Details of the County's general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	<u>Issued September 10, 2009</u>			<u>Issued May 15, 2010</u>			<u>Total</u>		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	
2011	1.35%	\$ 170,000	\$ 2,295	-%	\$ -	\$ -	\$ 170,000	\$ 2,295	
2012	1.60	175,000	2,800	-	-	-	175,000	2,800	
2013	2.00	175,000	3,500	-	-	-	175,000	3,500	
2014	2.30	180,000	4,140	-	-	-	180,000	4,140	
2015	-	-	-	2.00	145,000	2,900	145,000	2,900	
2016-2017	-	-	-	2.65-3.00	305,000	8,625	305,000	8,625	
Total		\$ <u>700,000</u>	\$ <u>12,735</u>		\$ <u>450,000</u>	\$ <u>11,525</u>	\$ <u>1,150,000</u>	\$ <u>24,260</u>	

Capital Lease Purchase Agreements

The County has entered into a capital lease purchase agreement to lease an ambulance with a historical cost of \$78,340. The following is a schedule of the future minimum lease payments, including interest at 4.96% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2010:

<u>Year Ending June 30,</u>	
2011	\$ 17,725
2012	17,725
2013	17,725
2014	17,725
2015	14,772
Total minimum lease payments	85,672
Less amount representing interest	<u>9,800</u>
Present value of net minimum lease payments	\$ <u>75,872</u>

Payments under capital lease purchase agreements totaled \$46,692 for the year ended June 30, 2010.

NOTE 7: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Jefferson County, Iowa is a member of a multi-government 28E agreement established in 1974. This agreement provides the public authority for the Southeast Multi-County Solid Waste Agency (SEMCO) to operate under a separate Board of Directors and provide municipal solid waste landfill services. SEMCO, therefore, is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care costs. Any additional costs that might arise from changes in regulations or technology are anticipated to be covered by increases in rates paid by future landfill users.

NOTE 8: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 8: PENSION AND RETIREMENT BENEFITS (Continued)

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$275,120, \$234,385 and \$217,745, respectively, equal to the required contribution for each year.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer retiree benefits plan which provides medical/prescription drug benefits for retirees and their spouses. There are 90 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured medical plan with Wellmark. Retirees under age 66 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amounts actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	66,173
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		<u>66,173</u>
Contributions made		<u>(45,262)</u>
Increase in net OPEB obligation		20,911
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	<u>20,911</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$45,262 to the medical plan. Plan members eligible for benefits contributed \$30,252, or 66.8% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ <u>66,173</u>	<u>68.4</u> %	\$ <u>20,911</u>

## JEFFERSON COUNTY, IOWA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Status and Funding Progress: As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$497,382, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$497,382. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,571,512 and the ratio of the UAAL to covered payroll was 13.92%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed using the alternate valuation method as prescribed in GASB 45.

Projected claim costs of the medical plan are \$453 per month for retirees and \$1,069 per month for retirees and their spouse. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### NOTE 10: RISK MANAGEMENT

Jefferson County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RISK MANAGEMENT (Continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2010 were \$174,483.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amounts of \$1,000,000 and \$300,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: WORKERS' COMPENSATION

The County is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation coverage to its members in the amount of \$1,000,000.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 22, 2011, the date that the financial statements were available to be issued.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 13: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2009 have been reclassified to conform with the presentation for the year ended June 30, 2010.

NOTE 14: PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2010, it was determined that some of the current year additions to infrastructure, construction in progress and accumulated depreciation had not been properly recorded for the year ended June 30, 2009.

Government Wide net assets June 30, 2009, as previously reported	\$ 16,505,069
Adjustments to infrastructure, construction in progress and accumulated depreciation	<u>628,851</u>
Government Wide net assets June 30, 2009, as restated	\$ <u>17,133,920</u>

## REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010

		<u>Budgeted Amounts</u>		Final to Actual Variance - Positive (Negative)
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<u>RECEIPTS:</u>				
Property and other County tax	\$ 5,266,142	\$ 5,305,018	\$ 5,290,018	\$ (23,876)
Interest and penalty on property tax	82,363	52,000	52,000	30,363
Intergovernmental	3,330,120	3,742,983	3,476,085	(145,965)
Licenses and permits	12,952	13,746	13,746	(794)
Charges for service	587,784	583,080	606,146	(18,362)
Use of money and property	136,082	220,740	159,324	(23,242)
Miscellaneous	233,315	14,200	165,678	67,637
Total receipts	<u>9,648,758</u>	<u>9,931,767</u>	<u>9,762,997</u>	<u>(114,239)</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	2,656,946	2,748,595	2,765,708	108,762
Physical health and social services	673,560	679,962	737,998	64,438
Mental health	1,132,966	1,352,708	1,217,437	84,471
County environment and education	651,099	988,745	704,474	53,375
Roads and transportation	3,026,275	2,775,000	3,070,000	43,725
Governmental services to residents	501,278	491,463	501,463	185
Administration	833,006	776,252	848,080	15,074
Debt service	171,309	181,058	181,058	9,749
Capital projects	987,021	970,000	1,121,000	133,979
Total disbursements	<u>10,633,460</u>	<u>10,963,783</u>	<u>11,147,218</u>	<u>513,758</u>
Excess (deficiency) of revenues over(under) disbursements	(984,702)	(1,032,016)	(1,384,221)	399,519
Other financing sources	<u>1,130,427</u>	<u>700,000</u>	<u>1,136,075</u>	<u>(5,648)</u>
Change in fund balances	145,725	(332,016)	(248,146)	393,871
<u>BALANCE</u> - Beginning of year	<u>3,494,072</u>	<u>3,176,113</u>	<u>3,176,113</u>	<u>317,959</u>
<u>BALANCE</u> - End of year	\$ <u>3,639,797</u>	\$ <u>2,844,097</u>	\$ <u>2,927,967</u>	\$ <u>711,830</u>



JEFFERSON COUNTY, IOWA  
BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 9,648,758	\$ 172,335	\$ 9,476,423
Expenditures	<u>10,633,460</u>	<u>377,717</u>	<u>10,255,743</u>
Net	(984,702)	(205,382)	(779,320)
Other financing sources (uses)	1,130,427	(97,913)	1,228,340
Beginning fund balances	<u>3,494,072</u>	<u>(11,247)</u>	<u>3,505,319</u>
Ending fund balances	\$ <u>3,639,797</u>	\$ <u>(314,542)</u>	\$ <u>3,954,339</u>

JEFFERSON COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$183,435. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

JEFFERSON COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentge</u> <u>of Covered</u> <u>Payroll</u> <u>( (b-a)/c )</u>
2010	July 1, 2009	\$ <u>-</u>	\$ <u>497,382</u>	\$ <u>497,382</u>	<u>0.00%</u>	\$ <u>3,571,512</u>	<u>13.92%</u>

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## OTHER SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY, IOWA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	Nonmajor Governmental Funds			
	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total
<u>ASSETS</u>				
Cash and pooled investments	\$ 494,705	\$ 293,936	\$ 13,055	\$ 801,696
Receivables:				
Property tax:				
Delinquent	-	-	442	442
Succeeding year	-	-	182,630	182,630
Accounts	2,706	-	-	2,706
<b>TOTAL ASSETS</b>	<b>\$ 497,411</b>	<b>\$ 293,936</b>	<b>\$ 196,127</b>	<b>\$ 987,474</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ -	\$ 11,435	\$ -	\$ 11,435
Due to other governments	-	34	-	34
Deferred revenue:				
Succeeding year property tax	-	-	182,630	182,630
Other	-	-	442	442
Total liabilities	-	11,469	183,072	194,541
<u>FUND BALANCES</u>				
Reserved for:				
Local option sales and services tax bonds	396,525	-	-	396,525
Unreserved, reported in:				
Special revenue/capital projects funds/debt service	100,886	282,467	13,055	396,408
Total fund balances	497,411	282,467	13,055	792,933
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 497,411</b>	<b>\$ 293,936</b>	<b>\$ 196,127</b>	<b>\$ 987,474</b>

## JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

	Nonmajor Governmental Funds			
	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total
<b>REVENUES:</b>				
Property and other County tax	\$ -	\$ -	\$ 174,224	\$ 174,224
Intergovernmental	16,876	-	7,173	24,049
Charges for service	46,947	-	-	46,947
Use of money and property	15,677	-	-	15,677
Miscellaneous	1,080	368	-	1,448
Total revenues	<u>80,580</u>	<u>368</u>	<u>181,397</u>	<u>262,345</u>
<b>EXPENDITURES:</b>				
Operating:				
County environment and education	113,563	-	-	113,563
Debt service	-	-	190,581	190,581
Capital projects	36,000	860,985	-	896,985
Total expenditures	<u>149,563</u>	<u>860,985</u>	<u>190,581</u>	<u>1,201,129</u>
Deficiency of revenues under expenditures:	<u>(68,983)</u>	<u>(860,617)</u>	<u>(9,184)</u>	<u>(938,784)</u>
Other financial sources:				
Proceeds from debt	-	1,130,427	19,573	1,150,000
Total other financing sources	<u>-</u>	<u>1,130,427</u>	<u>19,573</u>	<u>1,150,000</u>
Net change in fund balances	(68,983)	269,810	10,389	211,216
Fund balances - Beginning of year	<u>566,394</u>	<u>12,657</u>	<u>2,666</u>	<u>581,717</u>
Fund balances - End of year	\$ <u>497,411</u>	\$ <u>282,467</u>	\$ <u>13,055</u>	\$ <u>792,933</u>

JEFFERSON COUNTY, IOWA

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2010

	Local Option Sales and Services Tax <u>Reserve</u>	Resource Enhancement and <u>Protection</u>	Drug <u>Forfeiture</u>	Special Response <u>Team</u>
<u>ASSETS</u>				
Cash and pooled investments	\$ 396,525 ✓	\$ 1,538 ✓	\$ 7,582 ✓	\$ 2,675 ✓
Receivables:				
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>396,525</u> ✓	\$ <u>1,538</u> ✓	\$ <u>7,582</u> ✓	\$ <u>2,675</u> ✓
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES:</u>				
Reserved for:				
Local option sales and services tax bonds	396,525 ✓	-	-	-
Unreserved, reported in:				
Special revenue funds	<u>-</u>	<u>1,538</u> ✓	<u>7,582</u> ✓	<u>2,675</u> ✓
Total fund balances	<u>396,525</u>	<u>1,538</u>	<u>7,582</u>	<u>2,675</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>396,525</u> ✓	\$ <u>1,538</u> ✓	\$ <u>7,582</u> ✓	\$ <u>2,675</u> ✓

<u>Drug Control Policy</u>	<u>County Recorder's Records Management</u>	<u>Rocky Branch Watershed</u>	<u>Conservation Fund</u>	<u>Conservation Land Acquisition</u>	<u>Total</u>
\$ 40	\$ 23,261	\$ 14,189	\$ 31,283	\$ 17,612	\$ 494,705
-	297	-	2,364	45	2,706
\$ 40	\$ 23,558	\$ 14,189	\$ 33,647	\$ 17,657	\$ 497,411
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	396,525
40	23,558	14,189	33,647	17,657	100,886
40	23,558	14,189	33,647	17,657	497,411
\$ 40	\$ 23,558	\$ 14,189	\$ 33,647	\$ 17,657	\$ 497,411



JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2010

	Local Option Sales and Services Tax <u>Reserve</u>	Resource Enhancement and <u>Protection</u>	Drug <u>Forfeiture</u>	Special Response <u>Team</u>
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ 16,876	\$ -	\$ -
Charges for service	-	-	91	-
Use of money and property	13,252	946	143	59
Miscellaneous	-	-	475	5
Total revenues	<u>13,252</u>	<u>17,822</u>	<u>709</u>	<u>64</u>
<u>EXPENDITURES:</u>				
Operating:				
County environment and education	-	62,750	-	682
Capital projects	-	36,000	-	-
Total expenditures	<u>-</u>	<u>98,750</u>	<u>-</u>	<u>682</u>
Net change in fund balances	13,252	(80,928)	709	(618)
Fund balances - Beginning of year	<u>383,273</u>	<u>82,466</u>	<u>6,873</u>	<u>3,293</u>
Fund balances - End of year	\$ <u>396,525</u>	\$ <u>1,538</u>	\$ <u>7,582</u>	\$ <u>2,675</u>

<u>Drug Control Policy</u>	<u>County Recorder's Records Management</u>	<u>Rocky Branch Watershed</u>	<u>Conservation Fund</u>	<u>Conservation Land Acquisition</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,876
-	3,494	-	43,032	330	46,947
-	-	277	1,000	-	15,677
-	-	-	60	540	1,080
-	<u>3,494</u>	<u>277</u>	<u>44,092</u>	<u>870</u>	<u>80,580</u>
-	-	31	47,016	3,084	113,563
-	-	-	-	-	36,000
-	-	<u>31</u>	<u>47,016</u>	<u>3,084</u>	<u>149,563</u>
-	3,494	246	(2,924)	(2,214)	(68,983)
<u>40</u>	<u>20,064</u>	<u>13,943</u>	<u>36,571</u>	<u>19,871</u>	<u>566,394</u>
\$ <u>40</u>	\$ <u>23,558</u>	\$ <u>14,189</u>	\$ <u>33,647</u>	\$ <u>17,657</u>	\$ <u>497,411</u>

JEFFERSON COUNTY, IOWA  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2010

	Urban Renewal Projects	Steeple Restoration	Courtroom/ Ambulance	DHS Building	Total
<u>ASSETS</u>					
Cash and pooled investments	\$ 590	\$ 5,035	\$ 10,250	\$ 278,061	\$ 293,936
TOTAL ASSETS	\$ 590	\$ 5,035	\$ 10,250	\$ 278,061	\$ 293,936
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts Payable	\$ -	\$ -	\$ 3,500	\$ 7,935	\$ 11,435
Due to other governments	-	-	-	34	34
Total liabilities	-	-	3,500	7,969	11,469
<u>FUND BALANCES:</u>					
Unreserved, reported in:					
Capital projects funds	590	5,035	6,750	270,092	282,467
Total fund balances	590	5,035	6,750	270,092	282,467
TOTAL LIABILITIES AND FUND BALANCES	\$ 590	\$ 5,035	\$ 10,250	\$ 278,061	\$ 293,936

## JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
YEAR ENDED JUNE 30, 2010

	Urban Renewal Projects	Steeple Restoration	GIS Project	Courtroom/ Ambulance	DHS Building	Total
<u>REVENUES:</u>						
Miscellaneous	\$ -	\$ 368	\$ -	\$ -	\$ -	\$ 368
Total revenues	-	368	-	-	-	368
<u>EXPENDITURES:</u>						
Capital projects	-	600	6,800	682,002	171,583	860,985
Total expenditures	-	600	6,800	682,002	171,583	860,985
Deficiency of revenues under expenditures:	-	(232)	(6,800)	(682,002)	(171,583)	(860,617)
Other financial sources:						
Proceeds from debt	-	-	-	688,752	441,675	1,130,427
Total other financing sources	-	-	-	688,752	441,675	1,130,427
Net change in fund balances	-	(232)	(6,800)	6,750	270,092	269,810
Fund balances - Beginning of year	590	5,267	6,800	-	-	12,657
Fund balances - End of year	\$ 590	\$ 5,035	\$ -	\$ 6,750	\$ 270,092	\$ 282,467

JEFFERSON COUNTY, IOWA

BALANCE SHEET  
NONMAJOR DEBT SERVICE FUND  
JUNE 30, 2010

ASSETS

Cash and pooled investments	\$ 13,055
Receivables:	
Property tax:	
Delinquent	442
Succeeding year	<u>182,630</u>
TOTAL ASSETS	\$ <u>196,127</u>

LIABILITIES AND FUND BALANCESLIABILITIES:

Deferred revenue:	
Succeeding year property tax	\$ 182,630
Other	<u>442</u>
Total liabilities	<u>183,072</u>

FUND BALANCES:

Unreserved, reported in:	
Debt service	<u>13,055</u>
Total fund balances	<u>13,055</u>

TOTAL LIABILITIES AND FUND BALANCES	\$ <u>196,127</u>
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JEFFERSON COUNTY, IOWA

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2010

REVENUES:

Property and other County tax	\$ 174,224
Intergovernmental	7,173
Total revenues	<u>181,397</u>

EXPENDITURES:

Debt service	<u>190,581</u>
Total expenditures	<u>190,581</u>

Deficiency of revenues under expenditures:	<u>(9,184)</u>
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## Other financial sources:

Proceeds from debt	<u>19,573</u>
Total other financing sources	<u>19,573</u>

Net change in fund balances	10,389
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Fund balances - Beginning of year	<u>2,666</u>
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Fund balances - End of year	\$ <u>13,055</u>
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JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2010

	<u>County Offices</u>			<u>Joint Emergency Management Services</u>	<u>Advance Tax Payments</u>
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>E-911</u>		
<u>ASSETS</u>					
Cash and pooled investments:					
County Treasurer	\$ -	\$ -	\$ 117,754	\$ 24,434	\$ 30,868
Other County officials	20,636	6,527	-	-	-
Receivables:					
Accounts receivable	-	-	14,967	3,972	-
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 20,636</b>	<b>\$ 6,527</b>	<b>\$ 132,721</b>	<b>\$ 28,406</b>	<b>\$ 30,868</b>
<u>LIABILITIES</u>					
Due to other governments	\$ 20,636	\$ -	\$ 116,139	\$ 24,709	\$ -
Accounts payable	-	-	16,582	3,697	-
Trusts payable	-	6,527	-	-	30,868
<b>TOTAL LIABILITIES</b>	<b>\$ 20,636</b>	<b>\$ 6,527</b>	<b>\$ 132,721</b>	<b>\$ 28,406</b>	<b>\$ 30,868</b>

X

<u>Brucellosis and Tuberculosis Eradication</u>	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
\$ 33	\$ 3,073	\$ 97,646	\$ 162,653	\$ 10,121	\$ 169,246
-	-	-	-	-	-
-	-	-	-	-	-
5	548	12,309	24,205	1,445	661
2,186	226,481	5,072,557	9,999,448	596,911	273,617
-	-	-	-	-	297
<u>\$ 2,224</u>	<u>\$ 230,102</u>	<u>\$ 5,182,512</u>	<u>\$ 10,186,306</u>	<u>\$ 608,477</u>	<u>\$ 443,821</u>
\$ 2,224	\$ 230,102	\$ 5,182,512	\$ 10,186,306	\$ 608,477	\$ 414,465
-	-	-	-	-	29,356
-	-	-	-	-	-
<u>\$ 2,224</u>	<u>\$ 230,102</u>	<u>\$ 5,182,512</u>	<u>\$ 10,186,306</u>	<u>\$ 608,477</u>	<u>\$ 443,821</u>



JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2010

	<u>Agriculture Extension Education</u>	<u>County Hospital</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>
<u>ASSETS</u>				
Cash and pooled investments:				
County Treasurer	\$ 3,333	\$ 22,208	\$ 319,194	\$ 8,455
Other County officials	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	-
Property tax:				
Delinquent	467	3,110	-	-
Succeeding year	193,028	1,285,860	-	-
Prepaid expenses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>196,828</u>	\$ <u>1,311,178</u>	\$ <u>319,194</u>	\$ <u>8,455</u>
<u>LIABILITIES</u>				
Due to other governments	\$ 196,828	\$ 1,311,178	\$ 319,194	\$ 8,455
Accounts payable	-	-	-	-
Trusts payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>196,828</u>	\$ <u>1,311,178</u>	\$ <u>319,194</u>	\$ <u>8,455</u>

x

## Schedule 9 (Continued)

<u>Bankruptcy</u>	<u>Anatomical Gift Public Awareness and Transportation</u>	<u>Tax Sale Redemption</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Total</u>
\$ 1,042	\$ 32	\$ 225	\$ 674	\$ 970,991
-	-	-	-	27,163
-	-	-	851	19,790
-	-	-	-	42,750
-	-	-	-	17,650,088
-	-	-	-	297
<u>\$ 1,042</u>	<u>\$ 32</u>	<u>\$ 225</u>	<u>\$ 1,525</u>	<u>\$ 18,711,079</u>
\$ -	\$ 32	\$ -	\$ 1,525	\$ 18,622,782
-	-	-	-	49,635
<u>1,042</u>	<u>-</u>	<u>225</u>	<u>-</u>	<u>38,662</u>
<u>\$ 1,042</u>	<u>\$ 32</u>	<u>\$ 225</u>	<u>\$ 1,525</u>	<u>\$ 18,711,079</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2010

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>				<u>Joint Emergency Management Services</u>
	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>	<u>E-911</u>	
Balances beginning of year	\$ -	\$ 12,957	\$ 18,372	\$ 102,139	\$ 42,973
Additions:					
Property and other County tax	-	-	-	-	-
State tax credits	-	-	-	-	11,718
E911 surcharge	-	-	-	137,811	-
Office fees and collections	1,428	239,621	8,590	14	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	215,447	-	-
Miscellaneous	-	-	-	3,242	3,435
Total additions	<u>1,428</u>	<u>239,621</u>	<u>224,037</u>	<u>141,067</u>	<u>15,153</u>
Deductions:					
Agency remittances:					
To other funds	1,428	108,321	-	-	-
To other governments	-	123,621	11,373	110,485	29,720
Trusts paid out	-	-	224,509	-	-
Total deductions	<u>1,428</u>	<u>231,942</u>	<u>235,882</u>	<u>110,485</u>	<u>29,720</u>
Balances end of year	\$ -	\$ 20,636	\$ 6,527	\$ 132,721	\$ 28,406

## Schedule 10

<u>Advance Tax Payments</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
\$ <u>13,568</u>	\$ <u>1,856</u>	\$ <u>212,861</u>	\$ <u>4,964,827</u>	\$ <u>9,041,109</u>	\$ <u>560,812</u>	\$ <u>477,822</u>
-	2,051	208,726	4,778,344	9,340,494	556,100	250,422
-	67	8,445	148,097	326,497	20,143	11,227
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
33,504	-	-	-	-	-	19,987
<u>33,504</u>	<u>2,118</u>	<u>217,171</u>	<u>4,926,441</u>	<u>9,666,991</u>	<u>576,243</u>	<u>281,636</u>
-	-	-	-	-	-	-
16,204	1,750	199,930	4,708,756	8,521,794	528,578	315,637
-	-	-	-	-	-	-
<u>16,204</u>	<u>1,750</u>	<u>199,930</u>	<u>4,708,756</u>	<u>8,521,794</u>	<u>528,578</u>	<u>315,637</u>
\$ <u>30,868</u>	\$ <u>2,224</u>	\$ <u>230,102</u>	\$ <u>5,182,512</u>	\$ <u>10,186,306</u>	\$ <u>608,477</u>	\$ <u>443,821</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2010

<u>ASSETS AND LIABILITIES</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Auto Licenses and Use Tax</u>	<u>City Special Assessments</u>	<u>Bankruptcy</u>
Balances beginning of year	\$ <u>185,218</u>	\$ <u>1,231,275</u>	\$ <u>263,803</u>	\$ <u>3,214</u>	\$ <u>1,042</u>
Additions:					
Property and other County tax	179,379	1,194,946	-	-	-
State tax credits	6,639	44,246	-	-	-
E911 surcharge	-	-	-	-	-
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	3,274,314	-	-
Assessments	-	-	-	61,791	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>186,018</u>	<u>1,239,192</u>	<u>3,274,314</u>	<u>61,791</u>	<u>-</u>
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	-
To other governments	174,408	1,159,289	3,218,923	56,550	-
Trusts paid out	-	-	-	-	-
Total deductions	<u>174,408</u>	<u>1,159,289</u>	<u>3,218,923</u>	<u>56,550</u>	<u>-</u>
Balances end of year	\$ <u>196,828</u>	\$ <u>1,311,178</u>	\$ <u>319,194</u>	\$ <u>8,455</u>	\$ <u>1,042</u>

<u>Anatomical Gift Public Awareness and Transportation</u>	<u>Tax Sale Redemption</u>	<u>Monies and Credits</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Total</u>
\$ <u>18</u>	\$ <u>225</u>	\$ <u>-</u>	\$ <u>553</u>	\$ <u>17,134,644</u>
-	-	195	-	16,510,657
-	-	-	-	577,079
-	-	-	-	137,811
-	-	-	9,107	258,760
-	-	-	-	3,274,314
-	-	-	-	61,791
-	-	-	-	215,447
<u>174</u>	<u>299,815</u>	<u>-</u>	<u>-</u>	<u>360,157</u>
<u>174</u>	<u>299,815</u>	<u>195</u>	<u>9,107</u>	<u>21,396,016</u>
-	-	-	-	109,749
160	299,815	195	8,135	19,485,323
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,509</u>
<u>160</u>	<u>299,815</u>	<u>195</u>	<u>8,135</u>	<u>19,819,581</u>
\$ <u>32</u>	\$ <u>225</u>	\$ <u>-</u>	\$ <u>1,525</u>	\$ <u>18,711,079</u>

JEFFERSON COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST NINE YEARS

	Year Ended June 30,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>REVENUES:</u>			
Property and other County tax	\$ 5,213,013	\$ 4,800,437	\$ 4,379,635
Interest and penalty on property tax	82,363	65,526	58,912
Intergovernmental	3,295,707	3,253,550	3,175,776
Licenses and permits	12,902	14,420	12,021
Charges for service	514,895	657,321	659,243
Use of money and property	135,007	235,308	397,278
Miscellaneous	<u>222,536</u>	<u>173,359</u>	<u>96,700</u>
Total	\$ <u>9,476,423</u>	\$ <u>9,199,921</u>	\$ <u>8,779,565</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	\$ 2,788,795	\$ 2,487,850	\$ 2,473,279
Physical health and social services	669,250	575,735	568,088
Mental health	1,060,162	1,204,274	1,211,153
County environment and education	655,785	586,388	563,347
Roads and transportation	2,590,730	3,323,315	2,891,357
Governmental services to residents	505,306	456,132	381,381
Administration	820,825	796,889	855,474
Debt service	190,581	161,458	161,605
Capital projects	<u>974,309</u>	<u>196,893</u>	<u>266,652</u>
Total	\$ <u>10,255,743</u>	\$ <u>9,788,934</u>	\$ <u>9,372,336</u>

## Modified Accrual Basis

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 4,175,273	\$ 4,231,345	\$ 4,234,587	\$ 5,541,916	\$ 5,443,778	\$ 5,651,315
56,977	60,014	60,791	62,374	68,333	81,516
3,450,156	3,368,187	3,535,323	3,342,798	3,202,070	3,489,556
13,358	11,281	36,328	5,591	4,078	5,533
788,971	623,798	661,073	616,897	572,672	508,699
295,592	422,796	267,122	241,051	265,080	221,703
83,141	55,461	103,272	90,423	51,735	36,415
<u>\$ 8,863,468</u>	<u>\$ 8,772,882</u>	<u>\$ 8,898,496</u>	<u>\$ 9,901,050</u>	<u>\$ 9,607,746</u>	<u>\$ 9,994,737</u>
\$ 2,386,492	\$ 2,258,283	\$ 2,014,015	\$ 1,982,580	\$ 1,974,227	\$ 2,028,276
528,702	459,894	475,849	554,937	460,269	635,547
1,043,660	1,057,240	1,182,934	1,157,048	1,254,799	1,405,114
517,918	481,696	439,746	439,651	417,331	339,585
2,290,459	2,768,071	2,797,092	2,398,352	2,072,421	2,361,469
375,215	499,782	370,746	328,567	290,104	278,579
892,812	778,933	715,199	788,941	838,836	640,662
158,331	3,573,199	955,671	827,349	816,341	812,851
856,395	96,406	232,624	551,844	336,637	828,759
<u>\$ 9,049,984</u>	<u>\$ 11,973,504</u>	<u>\$ 9,183,876</u>	<u>\$ 9,029,269</u>	<u>\$ 8,460,965</u>	<u>\$ 9,330,842</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Officials of Jefferson County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 22, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jefferson County, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-10 and II-C-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-B-10 and II-D-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial

statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Jefferson County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Jefferson County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson County, Iowa and other parties to whom the County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Jefferson County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
March 22, 2011

JEFFERSON COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

SIGNIFICANT DEFICIENCIES:

II-A-10 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures were evaluated in order to determine that incompatible duties, from a control standpoint, were not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

Applicable Offices

- |  |   |
|--|---|
| 1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.  | Ag Extension<br>Auditor<br>Recorder<br>Treasurer            |
| 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.  | Ag Extension<br>Auditor<br>Recorder<br>Sheriff<br>Treasurer |
| 3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Ag Extension<br>Auditor<br>Recorder<br>Sheriff<br>Treasurer |

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

JEFFERSON COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

SIGNIFICANT DEFICIENCIES: (Continued)

II-A-10 Segregation of Duties (Continued)

Responses (Continued)

County Auditor – The internal control in processing mail, receipts, claims and payroll will be reviewed and evaluated for propriety. The auditors will evaluate the assignment of personnel in each process and determine if an alternative method would enhance internal controls.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

II-B-10 Outstanding Checks and Warrants – The Treasurer's office has several checks and warrants on the books that have been outstanding for more than one year.

Recommendation – The County should take steps to resolve this issue, the payees should be contacted, and if necessary, new checks should be issued.

Response – We will do so.

Conclusion – Response accepted.

II-C-10 Financial Reporting – Subsequent to the issuance of the financial statements for the year ended June 30, 2009, it was determined that the County's had mistakenly omitted an asset related to infrastructure. This item is discussed in Note 14 of the current year financial statements.

Recommendation – Procedures should be implemented to ensure that all infrastructure items are correctly reported in the future.

Response – We will do so.

Conclusion – Response accepted.

II-D-10 Inventory Count – During the current audit it was determined that the County had not done a physical count of it's Secondary Roads inventory at June 30, 2010. The County maintains a perpetual inventory for the Secondary Roads department.

Recommendation – The County should conduct an annual count of it's inventory and this count should be compared to the perpetual records and any adjustments, if necessary, should be made at that time.

Response – We will do so.

Conclusion – Response accepted.

JEFFERSON COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

INSTANCES OF NON-COMPLIANCE

No matters were noted.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

- III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- III-B-10 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-10 Business Transactions – No business transactions between the County and County officials or employees were noted.
- III-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to ensure that the coverage remains adequate for current operations.
- III-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investments policy were noted.
- III-H-10 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- III-I-10 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.